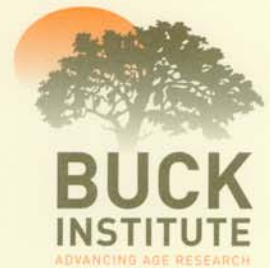


March 25, 2008



Richard Keller  
Senior Officer for Scientific  
& Medical Research Facilities  
California Institute for Regenerative Medicine  
210 King Street  
San Francisco, CA 94107

RE: RFA 07-03, Application #FA1-00600-1 (CIRM Center of Excellence)

We have reviewed the draft staff analysis for Part 2 of our application #FA1-00600-1 submitted under RFA 07-03. We have the following comments and clarifications.

**In Re page 1**, the third paragraph notes that there is research space for 16 PI's in our proposed facility but only 12 PI's are engaged in stem cell research leaving capacity for 4 PI's unexplained. In Section 3A on page 7 of Part 2 we state that a program objective for the proposed facility is the provision of space for visiting scientists and shared stem cell lab space for researchers from other institutions. We also propose a large scale stem cell repository which will need lab and office space to support this activity. We made general reference to these program objectives in Section 3A and on page 48 of Part 2 but failed to include statements of our intentions to accommodate these functions and programs on the first floor of the proposed facility in the 4 PI lab areas and support spaces depicted on the schematic for that floor.

**In Re page 3**, the third paragraph questions the adequacy of the Group 2 equipment budget included in our application. The staff analysis states "...nearly \$500,000 will be needed to equip each of the 12 laboratories..." The charts on page 17 of our Part 2 do read as if each of the 12 labs will require nearly \$500,000 in Group 2 equipment. This is an error. The quantities of equipment shown in the individual lab equipment chart are intended to equip all twelve labs to occupy the CIRM space; not each lab. Each lab would be provided the basic capital equipment noted in the individual lab chart. The balance of equipment needed by the individual labs is below the \$5,000 capital threshold and will be provided from institutional funds. We do not require \$7.4 million for capital equipment for individual labs as indicated in the draft staff analysis.

**In Re page 4**, the CIRM staff has concluded the leverage cited in our application is not consistent with the definition of leverage provided in the GAP. We disagree. The cost of land and/or a building is within the eligibility criteria for leverage per definition (1) in the GAP. The leverage calculations shown on page 39 of Part 2 attribute a cost of \$79.35 per square foot for 1.38 acres of land upon which the proposed project would be built. The land value attributed to leverage is consistent with term sheets and offer letters from three



potential funding partners competing for participation in the development of the proposed facility and other real estate assets at our campus.

We contend that the value of the land improvements and entitlements are capitalized costs associated with planning, design and partial construction of the proposed CIRM funded project. This is allowed per definition (3) of the GAP. The values shown on page 39 of Part 2 for planning, entitlements, land improvements and extension of existing central plant facilities are a pro-rated share of total costs expended to achieve approval for the master facility plan for the Buck Institute from design through public comment, EIR processing, and ultimately to the expedited approval process available to the proposed project.

We contend that the value of the existing central plant is allowable under definition (3) as well. The ability to extend the existing major utility infrastructures and HVAC sources to the proposed facility is an important factor in the comparatively low cost per square foot of the proposed CIRM Center of Excellence. The staff analysis supports this contention through its conclusion that the proposed facility is approximately half the cost per square foot of the other applicant in the Center of Excellence category and approximately 33% less than the average cost per square foot of applicants in the Institute category.

The vivarium value noted in our application is derived from multiplying the number of square feet of vacant on site vivarium and support space ready for CIRM sponsored research (6,400asf) times the imputed costs of constructing vivarium facilities in today's construction market (\$1000) to arrive at the figure shown in our leverage calculation (\$6,400,000). This is consistent with definition (3) and with comments made in the proceedings of the Facility Working Group specifically mentioning allowance of vivarium costs for leverage calculations.

We ask that staff reconsider the disallowance of the leverage calculation contained in our application.

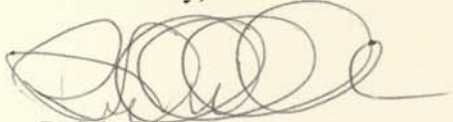
**In Re page 5**, we note that the application numbers associated with the Matching and Leverage ratio chart indicate that FA1-617 (UC Santa Cruz) is being compared to FA1-614-1 (UC Merced). If the CIRM staff alters its conclusions around the leverage cited in our application, the Matching and Leverage Chart will require revision.

**In Re page 5**, the staff analysis questions the availability of the required matching funds and any other cash required to complete the proposed project since the identity of our potential funding partners and details of any deal structure are withheld to maintain confidentiality and to maintain our best negotiating position in the capitalization of our real estate assets for the benefit of the proposed project. We acknowledge and agree that under any circumstance, proof of availability of funds to satisfy the matching requirement and complete the proposed project must be provided as a condition of the issuance of a notice of grant award and we will provide such proof when appropriate. The Buck Institute is an independent research entity and as such, must conduct its financing and business arrangements for major facility projects differently than universities. We are

fully aware of the timeline and financial obligations associated with any grant award. We are also aware that there is no guarantee that we will receive a grant award or if we do, in what amount. As a result of the uncertainty inherent in the funding mechanism of RFA 07-03 we have prepared ourselves for multiple outcomes and if an award is extended to us, the requirement to provide matching and other funds necessary to complete the proposed CIRM Center of Excellence.

Thank you for the opportunity to review and comment upon the draft staff analysis.

Yours Truly,

A handwritten signature in dark ink, appearing to read "Ralph O'Rear", with a long, sweeping horizontal line extending to the right.

Ralph O'Rear  
VP, Facilities & Planning  
Buck Institute for Age Research  
8001 Redwood Blvd.  
Novato, CA 94945